

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Evansdale Branch		Docket No. A2013-2
Evansdale, Iowa		

REPLY BRIEF OF PETITIONER CHAD DEUTSCH

(January 15, 2013)

Respectfully submitted,

/s/ Elaine Mittleman

Elaine Mittleman
2040 Arch Drive
Falls Church, VA 22043
(703) 734-0482
elainemittleman@msn.com
Attorney for Petitioner
Chad Deutsch

ARGUMENT

In this case, there was a previous appeal to the PRC, Docket No. A2011-103. On January 18, 2012, the Commission issued Order No. 1141, in which the Final Determination to close the Evansdale post office was remanded for further consideration. Final Determination at 2.

The Order included the following analysis at 10-11:

Economic savings. The Postal Service estimates total annual savings of \$62,935. Final Determination at 6. It derives this figure by summing the following costs: Manager and/or Craft savings (\$32,760), benefits (\$10,975) and annual lease costs (\$19,200). *Id.*

Petitioners contest the accuracy of the Postal Service's estimated savings, contending that no labor savings will be realized since employees at the Evansdale post office will be relocated by the Postal Service. In addition, they argue that because the current lease of the Evansdale post office extends to January 31, 2016 no savings attributable to the lease will materialize for 4 years. *See* Chilton Participant Statement at 3; Petitioner Deutsch Initial Brief at 27.

The Postal Service indicates that employees at the Evansdale post office will be reassigned to other postal facilities. Postal Service Comments at 6; *see also* Final Determination at 6. It takes the position that all positions associated with the Evansdale post office will be eliminated upon its discontinuance. Postal Service Comments at 6-7.

The Commission has previously observed that the Postal Service should include in its estimate of savings only those costs likely to be eliminated by the closing. In this case, since the employee is simply being transferred to another facility and the lease continues

until January 2016, there is no rational basis to conclude that the Postal Service will realize any savings until after the lease expires (or if it were able to sublet the property sooner). Thus, the Commission concludes that the Postal Service has not satisfied the requirements of section 404(d)(2)(iv).

Under section 404(d)(2)(iv), the Postal Service may, if it wishes, close a facility even if there are no (or even negative) savings. It has not done that here. Rather, it claims savings that it will not realize for at least 4 years. That result is not consistent with section 404(d)(2)(iv). [Footnote omitted.]

The Postal Service has not satisfied the requirement that it consider economic savings as required by 39 U.S.C. § 404(d)(2)(A)(iv).

The Commission then concluded at 11 that:

As discussed above, the Postal Service has not adequately considered all requirements of 39 U.S.C. § 404(d). Accordingly, the Postal Service's determination to close the Evansdale post office is remanded for further consideration.

The Revised Final Determination at 6 includes only one advantage of the proposal, which is "(s)avings for the Postal Service contribute in the long run to stable postage rates and savings for customers while ready access to essential postal services is retained." This purported advantage is not supported by the record and has no bearing on the individual situation of the Evansdale post office.

The Postal Service filed its Comments Regarding Appeal on January 4, 2013. In the Comments at 2-3, the Postal Service renewed the arguments that the Commission lacks jurisdiction to hear the petitioner's appeal because the appeal

concerns a branch and not a post office for purposes of 39 U.S.C. § 404(d).

I. The Postal Service failed to explain the employee cost savings.

In the Comments at 5-7, the Postal Service asserted that the Revised Final Determination provides support for the economic savings calculation. In the Comments at 7, the Postal Service explains the employee cost savings as follows:

The Petitioner and the Public Representative contend that no labor savings will result from the discontinuance of the Evansdale Branch and the elimination of all employee positions within the facility. [Footnote omitted.] But as explained in the Revised Final Determination, the Evansdale Branch employee transferred to a vacant position, and if the vacancy did not exist, the employee would have been separated. The resulting savings could be understood by viewing the situation as if the employee was separated, then submitted an application for the vacant position, and was selected to fill the vacant position.

The explanation by the Postal Service of employee cost savings directly contradicts the position of the Commission, as stated in the remand Order at 11, as follows:

The Commission has previously observed that the Postal Service should include in its estimate of savings only those costs likely to be eliminated by the closing. In this case, since the employee is simply being transferred to another facility and the lease continues until January 2016, there is no rational basis to conclude that the Postal Service will realize any savings until after the lease expires (or if it were able to sublet the property sooner).

The Postal Service has ignored the holding of the Commission that transferring an employee to another facility does not constitute a cost savings.

Instead, the Postal Service attempted to justify the transfer as a cost savings by offering a hypothetical situation in which the employee was separated and then hired to fill the vacant position. Under either scenario, the employee is still an employee and there are no employee cost savings.

The estimated savings are not supported by the record. The Revised Final Determination states at 7 that “(t)he sole employee assigned to the Evansdale Branch transferred to a vacant position within the administrative office of the Waterloo Post Office.” Thus, it appears that there will be no employee cost savings. The Revised Final Determination at 7 shows a ten-year cost savings for EAS Craft & Labor of \$687,615. This savings is not explained in any way, particularly considering that the only employee has transferred to a position in the Waterloo Post Office.

In addition, the Postal Service should explain how it calculated the net present value for the cost savings. It is necessary to set out the numbers on an annual or other time-based scheme to do a net present value calculation, which accounts for the time value of money. The initial brief pointed out that the cost savings should be shown on an annual basis, which would likely be the starting point for a net present value calculation. Further, showing the savings on an annual basis would indicate in a more straightforward fashion when the projected

savings would occur. Finally, it is not clear what rate the Postal Service used to calculate the net present value of the cost savings. Thus, the estimated net present value ten-year cost savings of \$604,406 is unsupported by explanation or data showing how that number was calculated.

It is once again necessary to point out that simply discussing cost savings does not provide useful information on which to base any closing decision. Closing any facility of any business should result in some cost savings. Without the context of discussing how closing a facility will affect revenue and net profit, the cost savings numbers are meaningless. This is not an argument that a post office may not be closed only because it is losing money. Instead, it is an argument that the Postal Service should make informed decisions based on the overall financial situation and profitability of a post office, not on a projected assumption only about cost savings.

It is obvious that the estimated cost savings are speculative and unexplained. These numbers cannot support any claim about cost savings. Also, cost savings are not the same as economic savings, which should include revenue calculations. Thus, the Postal Service has not satisfied the requirement that it consider economic savings as required by 39 U.S.C. § 404(d)(2)(A)(iv). It must be appreciated that the term in the statute is “economic savings” and not cost savings. The Postal

Service apparently assumes that the two terms have the same meaning, but it has provided no explanation to show that economic savings are the same as cost savings.

II. The Postal Service has provided no explanation or support for its determination to close the Evansdale Branch.

The Postal Service not explained why the Evansdale Branch should be closed. The only advantage listed in the Revised Final Determination is speculative boilerplate and has no relation to the Evansdale Branch.

In the Comments at 4, the Postal Service states that:

(t)he Petitioner also contends that the Postal Service did not explain why the Evansdale Branch should be closed. On page 2 of the Revised Final Determination, the Postal Service states the Evansdale Branch is being considered for possible closing or consolidation due to the following reasons: ... declining workload, volume, and the ability of the Postal Service to provide service by alternative means. The Postal Service included this same reasoning on page 2 of the Proposal. Furthermore, the Postal Service mailed letters to customers notifying them that the workload at the Evansdale Branch was declining and that maintenance of the Evansdale Branch may no longer be warranted. [Footnotes omitted.]

As this passage shows, the Postal Service is merely asserting that there was declining workload at the Evansdale Branch. The April 8, 2011, letter to postal customers [Item No. 21] stated that “(a) review of the business activities of the Evansdale Branch revealed that the office workload had declined. This reduced

workload suggests that the maintenance of the Evansdale Branch may not be warranted.” There are no data or statistics to support the statement that the office workload had declined at the Evansdale Branch.

It should be noted that the Evansdale Branch had significant revenue. The office receipts for the three years in the Revised Final Determination at 2 were \$270,763 (706 revenue units) in FY 2008; \$244,212 (637 revenue units) in FY 2009; and \$253,050 (660 revenue units) in FY 2010. Thus, the revenue has been fairly steady and showed an increase from FY 2009 to FY 2010.

The revenue information in the Revised Final Determination is not consistent with the claim that the office workload had declined. Even if there had been some decline in the office workload, that decline would not support a decision to close the Evansdale Branch, which had substantial revenue. Presumably, most post offices have had a decline in workload if the overall business at post offices has declined. The Postal Service has not explained why a decline at Evansdale justifies a closure, while other post offices with a decline in workload remain open.

The comparison to the rural post offices in the POSTPlan is significant because it highlights the unfair treatment of the Evansdale Branch. The Postal

Service has not explained why it would close the post office in the city of Evansdale, while it permits small, rural post offices to remain open with reduced hours.

Moreover, it is possible that the Postal Service chose to close the Evansdale Branch because the Postal Service believes that it does not have to follow the same procedures as it does when it closes post offices. The Postal Service should not treat the city of Evansdale differently from other communities, which have post offices. The Postal Service has provided no substantive explanation for its decision to close the Evansdale post office.

CONCLUSION

For the foregoing reasons, the Postal Service's determination to close the Evansdale, Iowa, Branch should be remanded for the second time for further consideration.